

Slough Borough Council

Information needed	Details
Report To:	Corporate Improvement Scrutiny Committee
Date:	9 December 2025
Subject:	Progress Update - Budget 2026/27 and Medium-Term Financial Strategy 2026/27 to 2029/30
Chief Officer:	Ian O'Donnell, Interim Executive Director, Corporate Resources (S151 Officer)
Contact Officer:	Mark Hak-Sanders, Director Financial Management & Strategy
Ward(s):	All
Exempt:	No
Appendices:	Appendix 1 – Budget Risks and Pressures

1. SUMMARY AND RECOMMENDATIONS

- 1.1. This report sets out an update on progress towards delivering a balanced budget for 2026/27 and an updated Medium-Term Financial Strategy (MTFS) that will be presented to Cabinet on the 15 December. A breakdown of the ongoing pressures, new risks & savings proposals can be found in Appendix A.
- 1.2. CISC members are asked to note the following:
 - a. This is Phase 1 of budget proposals for the General Fund
 - b. The budget risks and savings proposals that are outlined in Appendix A
 - c. Phase 2 of the 2025/26 Budget proposals will be presented to CISC in February with a full budget proposal and will include the local government finance settlement due in December.

Recommendations:

That CISC Members:

- a. **Note the update towards delivering a balanced budget in 2026/27.**
- b. **Review the proposed list of risks, pressures and savings and consider any feedback that it wishes to provide to the Cabinet for its meeting on 15th December 2025.**

Commissioner Review

This report provides the Council with an update on the progress of developing a draft budget for 2026/27 and a MTFS to 2029/30. It presents the emerging financial picture and reflects the slow start in the budget process as a result of the Council's challenging in-year financial position.

The first tranche of savings proposals, alongside recurrent and new growth, pressures and risks, indicates the potential for the proportion of the Council's budget spent on adult social care, temporary accommodation and children's services to grow. In conjunction with financing external debt these are often inflexible cost, which for a small unitary authority is difficult to reduce over the short term, and as such can impact on the Council's ability to respond with agility to changing demands and strategic priorities.

In considering the MTFS, the Council is taking a prudent approach in compiling the estimates, reflecting the level of uncertainty and due diligence still required, and has

not yet incorporated the estimated investment or benefits anticipated from the transformation programme or fairer funding reforms into the plans.

Despite this it is evident that the difficult financial position is likely to remain for several years and the requirement for exceptional financial support a necessary component to achieve its legal requirement to set a balanced budget for 2026/27.

There are a series of strategies that will underpin the budget, and the full report, associated strategies and the Chief Finance Officers Section 25 statement, will be reported to Cabinet and Council in February alongside the level of Exceptional Financial Support / Capitalisation Direction which may be required.

2. REPORT

- 2.1. The Council's budgetary and policy framework within the constitution requires the Council to set out a budget for the forthcoming financial year and MTFS. Legislatively, the Council is required to set a balanced budget and council tax by 11th March of the preceding financial year.
- 2.2. The budget takes into consideration the Council's 'A Fresh Start Corporate Plan 2023 – 2027' which sets out the Council's vision and what the Council hopes to deliver. The three key priorities are:



- 2.3. In delivering the priorities the council seeks to be:



Resident
Focused



Providing
financial
sustainability



Enabling
residents and
communities



Strengthening
partnerships



Building
trust

- 2.4. This report presents progress towards delivering budget proposals for 2026/27 and across the MTFS, taking into consideration the Council's corporate plan, the national context and economic outlook for local government and then how this may impact on the Council. The provisional finance settlement is not expected to be published until Mid-December which will provide further certainty on the council's available funding for 2026/27. The Council currently use Pixel Financial Management to support funding modelling and assumptions.
- 2.5. The following table shows progress towards refining the various aspects of the budget, including pressures, savings, funding along with fees and charges. The Council's budget process started in earnest in October. This represents a significantly compressed timeline, with the comparatively late start caused by - and exacerbated by - the in-year financial situation and overspend which at the time exceeded £20m. Whilst material items remain unresolved, it is not helpful to set out a revised gap for 2026/27 and over the MTFS, since there is a distinct possibility that it could move in either direction from the previously reported position. As noted above, there is significant upward pressure from 2025/26 overspends however a full update will follow when funding is clarified and budget proposals validated.

Theme	Indicative Progress	Report Section	Next Steps
Budget Risks and Pressures	75% Directorate pressures submitted and under continuing challenge and validation. Inflation, pay award and capital financing under review.	4 and Appendix 1	Validate and challenge pressures with support from EY. Link pressures to savings plans where possible and identify invest-to-save funding
Savings	25% Tranche 1 of savings identified and under continuing challenge and validation. Initial Transformation Savings identified and incorporated.	5 and Appendix 1	Significant work on a second tranche of savings necessary, to provide confidence in existing proposals and create a valid pipeline of further savings. Investment requirements to be defined.
Funding	25% Local Government Finance Policy Statement released, but further certainty needed on detailed impact on Slough.	7	The Local Government Finance Settlement in December will bring clarity to funding projections for February's Cabinet papers.
Capital Financing Costs	25%	8	Further work on the Council's debt reduction strategy, discussions with

	Whilst 2024/25 closedown has established a clear baseline, capital financing costs will depend on emerging interest rates and discussion over the levels of EFS required over the medium-term.		MHCLG on the level of EFS and finalisation of the Capital Programme will be required to finalise capital financing costs.
Fees and Charges	25% As set out in the November Cabinet report, work is under way on accelerating uplifts in fees and charges to take effect as soon as possible.	9	Work will be necessary to feed through into to the income targets set in the budget. A longer-term piece of work is being planned to ensure our fees and charges are fully recovering the related costs.
Contingency and Reserves	25% A baseline level of reserves has been established having closed the 2023/24	10	Whilst a baseline has been established the level of contingency required in the budget will be determined by the degree of confidence in the final savings plan.

- 2.6. As a Council in recovery and intervention, it is acknowledged that there is still a significant journey to move from recovery to become financially sustainable and develop a financial strategy that underpins the corporate plan and the resources available to the council. Refreshing the MTFS position for February Cabinet and Council will be the next key milestone in this process.

3. STRATEGIC CONTEXT

- 3.1. Based on our published corporate plan, the below presents context about Slough which inform our resourcing decisions.



- 3.2. The financial challenges and other issues facing the council are of an unprecedented magnitude in context of a Council that is one of the smallest unitary councils in England and which therefore does not have the critical mass needed to be financially sustainable without radical action.
- 3.3. The Council's MTFS will therefore be aimed at the objective of delivering finance resilience through the finance recovery plan and achieving onward sustainability.
- 3.4. It should be noted that social care services delivered by Slough Children First and services for children with special educational needs and disabilities which sit in the council are both subject to separate Statutory Directions. The Statutory Directions mandate the need for significant improvements to practice but these must also be within the agreed financial envelope.
- 3.5. The Council is working within a very challenging financial context with increasing future demand from residents to address more complex issues. Society is also changing rapidly, with different expectations and needs. The council is therefore proactively designing its future shape and how it will continue to deliver services to its residents, businesses, partners and attracting people and businesses to Slough. The strategy includes:

- a) Development of an operating model that continues to take the council through recovery and out of intervention;
- b) Developing our data and analytics capability including a base budget review to inform decision making and integrating corporate planning with financial resources;
- c) Driving down demand for temporary accommodation. We are working to both better manage increasing demand and to reduce controllable costs through more efficient and creative purchasing;
- d) Driving down demand for adult social care services by supporting more residents to access local community and voluntary services and by increasing aware of assistive technology and access to equipment to maximise independence;
- e) Utilising our operational assets such as buildings, car parks and green spaces to generate income while improving the cultural and leisure offer in the borough. Maximising opportunities for sponsorship and advertising to meet public realm costs income generation opportunities from Public Realm with digital screens, bus shelters & benches. Evaluating event sponsorship and seeking partnering opportunities with local businesses and exploring naming rights for public facilities;
- f) Overall, develop services, particularly those that are non-statutory to be self-financing or better and develop a commercial strategy that meets our longer-term financial sustainability.

3.6. The report to July Cabinet on budget 2026/27 reminded Cabinet members of the challenging financial situation the council remains in and at the time still had a budget gap of £20.519m to close for 2026/27. An overall sensitivity range of between £8.077m and £36.967m was also provided.

3.7. For the wider MTFs position, it was reported that by 2029/30 the estimated budget gap was £28.037m and fell with a sensitivity range of between £9.708m and £53.818m.

4. RISKS, PRESSURES & INVESTMENT

4.1. Directorates have been working with Finance to capture risks, pressures and investment proposals to feed into the budget process. The process has included:

- Data modelling for demand growth pressures.
- Assessing pressures to categorise any that relate to the delivery of savings.

- Scrutinising pressures that relate to 2025/26 overspends to ensure they are genuine, ongoing pressures that cannot be mitigated.
- Challenging the calculation of pressures and ensuring they are consistent with information held within the financial system.

This process remains underway for all pressures and, therefore, there is likely to be further movement between now and the final budget. As such, these are not set forward for approval. Some may ultimately be categorised as risks which can be managed through mitigations in the first instance and central contingencies whereas others will inevitably feature in the final budget.

EY have been commissioned to support the Council with its budget setting process, including challenge and scrutiny of budget pressures and risks. This work is ongoing.

4.2. 2025/26 Pressures Review

- In the Q2 report, we reported a £17.540m overspend in 2025/26. This overspend includes the full utilisation of the contingency that is held in centrally of £7.2m – i.e. a gross overspend of c£25m.
- Using the information we have on the pressures causing the 2025/26 overspend we asked Directorates to assess how those pressures would manifest into 2026/27. Whilst some were one-off pressures much of that overspend is caused by issues with the base budgets that needs to be realigned into the new budget.
- Appendix 1A - Ongoing Operating Risks/Pressures shows the breakdown of the £25.059m of budget risk that is related to this budget review exercise which will need to be reflected in the 2026/27 budgets.
- The majority of this risk relates to the Housing Benefit subsidy shortfall on TA (£15.047m) and the re-baselining of the budget for Adult Social Care to reflect current levels of forecast expenditure and income (£6.642m).

4.3. 2026/27 New Pressures

- In addition to the ongoing pressures the process also identified additional budget risks of £11.240m as seen in Appendix 1B 2026/27 – Emerging Pressures and Risks
- These are largely related to increased volumes/demand across the services. Additional scrutiny of these proposals is ongoing and forms a

significant part of the work carried out by EY further information of which can be found in section 6 of this paper.

- 4.4. Not currently included within the appendices is spend related to the transformation work that is currently underway. The Transformation Workplan that went to Cabinet in November showed £2.5m transformation funding and done to assess how & when that funding will be required. Other “Invest to Save” proposals are also being considered and those costs may be required in 2026/27 however assessment of those will depend on the ability of business cases to properly justify the value of the investment. The impact of pay award and contract inflation will also need to be built into the final budget.
- 4.5. All material budget proposals are required to be supported by a Business Case that details how the proposals will be delivered. These business cases are subject to oversight through the relevant governance procedures established to provide assurance.

5. SAVINGS

5.1. Process and Progress

- 5.2. Directorates have been asked to identify savings that can be delivered in 2026/27 and across the Medium-Term. Opportunities to-date have been developed through working with Finance, Transformation and in consultation with Members, but further work is necessary as set out in section 6 below.
- 5.3. **Appendix 1C outlines** savings proposals that have been put forward to-date. Savings proposals reduce the 2026/27 budget gap by £12.029m. Additional work is ongoing to scrutinise the deliverability of these proposals prior to the final budget submission to cabinet in February. Included in the figure is an initiative to collect additional business rates with a net benefit of c.£4.4m.
- 5.4. Engagement on these proposals is due to start in December 2025 and will continue up until the final budget is presented in February 2026. This engagement will interact directly with Business & Schools as well as the wider public. Following the draft proposals being presented to Cabinet, a webpage is being developed that will give some explainers on key issues and areas of efficiencies and further engagement will happen in the new year.
- 5.5. All material budget proposals are required to be supported by a Business Case that details how the proposals will be delivered. These business cases will be subject to oversight through the relevant governance procedures established to provide assurance.
- 5.6. Transformation - A report went to cabinet in November 2024 which outlined plans for transformational savings across the MTFS. This included £3.29m savings in 2026/27 specifically and a cumulative savings of £12.44m across

the MTFS. £1.365m has been included in Appendix 1C (ASC-2627-S05 – ASC-2627-S10) for 2026/27. As set out in the November Cabinet paper, further diligence is required in order to incorporate transformation savings into the budget and maximise the opportunities available.

- 5.7. In relation to Temporary Accommodation and the associated Housing Benefit subsidy shortfall, savings were put forward in the Transformation paper of £0.850m in 2026/27 rising to £5.350m over a three-year period. The current annual cost of Temporary Accommodation to the Council £22.361m, against a budget of £7.314m. A budget pressure of £15.047m has therefore been flagged.
- 5.8. Further work is under way to set out a programme for delivering the saving in Temporary Accommodation against this baseline, in particular to understand how the actions set out in November's Cabinet report on the Overview and Improvement Plan for Housing Demand and Temporary Accommodation Services will translate into cash savings and the level of investment required.

6. GENERAL FUND & MTFS NEXT STEPS

- 6.1. As part of the budget setting process, EY are supporting the Council to identify opportunities for bridging the budget gap. EY have been commissioned for six weeks to provide additional capacity and expertise in developing credible options to help close the forecast gap.
- 6.2. EY's initial assessment indicates that, given the scale of the financial challenge, the Council will need to consider a broad suite of proposals. Operational improvements alone will not deliver the magnitude of savings required.
- 6.3. Accordingly, EY's work is structured around three pillars of activity, each of which will generate proposals for further consideration:
 - **Financial Grip Activities:** Actions focused on stabilising by managing emerging budget pressures, reducing overspends, improving forecasting and budget alignment, strengthening workforce and vacancy control, restricting non-essential spend, and driving targeted income generation.
 - **Operational Improvement Activities:** Business-as-usual efficiencies that enable services to deliver the same or better outcomes with fewer resources. This includes stopping non-essential activity, streamlining processes, reshaping teams, and not recruiting to vacant posts where service impact is minimal.

- **Transformational Change:** Redesigning services, assets and commercial models to deliver long-term, sustainable savings - including digital modernisation, demand reduction, stronger commercial practice and maximising value from the estate.

6.4. EY are collating a long list of potential opportunities across all directorates to provide a full picture of the options available. EY's report, is to be shared with CLT in the week commencing 8th December and will include recommendations on which opportunities should be progressed during January and February to support closure of the budget gap.

7. FUNDING

7.1. Process and Progress

7.2. Current funding projections as reported to Cabinet in July are based upon modelling by Pixel Financial Management, with subsequent updates due, following publications such as the Local Government Finance Policy Statement and the Chancellor's November budget. There is still material uncertainty over funding, and this will be resolved once the Local Government Finance Settlement is announced later in December. For the medium-term as a whole, over four years, Pixel have taken into consideration Fair Funding formulae which projects an additional £20m funding due to the Council, in addition to a further £20m expected increases through Council Tax. There are a number of unknowns including how government would distribute funding across all Councils.

7.3. Assumptions within the Council tax estimates are as follows;

- a. An increase of 4.99% council tax increase (council tax standard increase 2.99% and adult social care increase of 2.00%), rising from band D £1,923.09 in 2025/26 to £2,019.05 in 2026/27;
- b. Future years assume a 4.99% council tax increase;
- c. Council tax collection rate remains at 98.25%
- d. Each 1% increase in Council Tax, taking account of the impact of the collection rate, nets an additional £0.865m in 2026/27.

7.4. A report on the Council Tax Base (the equivalent number of Band D properties) will come to Cabinet in January.

8. CAPITAL FINANCING

8.1. The Council is ongoing dialogue with MHCLG and Commissioners about the level of Exceptional Financial Support. For 2025/26 and 2026/27, the level of support necessary will depend on finalisation of pressures, mitigations, savings and funding.

- 8.2. The following table is a profile of the total exceptional finance support requested by the Council as it currently stands. As it stands, the £6.558m reduction in EFS for 2026/27 will add to the gap between funding and spending requirement but this will require discussion with MHCLG as part of balancing the budget.

	Up to 2023/24* £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	Total £m
Exceptional Finance Support	313.397	23.078	15.709	9.151	1.460	0	362.795

* 23/24 is still subject to MHCLG approvals

- 8.3. The revenue cost of EFS depends on the extent to which capital receipts are generated and deployed to fund EFS. Capital receipts can also be used to fund transformation and invest to save project work. The investment necessary to deliver savings will be quantified as part of work towards the final budget.

9. FEES AND CHARGES

- 9.1. As set out in the Budget Management Report Q2 report to November Cabinet, work is under way on accelerating uplifts in fees and charges to take effect as soon as possible. Decisions need to be made at Licensing Committee/ February Cabinet as appropriate.

10. CONTINGENCIES & RESERVES

- 10.1. The council maintains usable reserves to fund specific projects including meeting specific commitments, provide a working balance to meet uneven cashflows or as a contingency to meet costs for unforeseen events or emergencies including risks should they materialise that cannot be mitigated.
- 10.2. The table below shows a summary of the reserves held by the Council and the forecast balance as at 31 March 2026. By 31 March 2026, the council is expecting to hold reserves of £21.396, of which £17.540m will be consumed by the 2025/26 overspend if not resolved (based on Q2 Forecasting). £21.396m is 12.2% of net revenue expenditure in 2025/26. This will decrease further with a likely increased funding envelope in 2026/27 and is evidently insufficient so will need to be resolved. The amount ultimately required will depend on assessed risks within the final budget pressures and savings programme.

MTFS Reserve	April 2025 Reserves Position	Budgeted Transfers (to)/from reserves 2025/26	Forecast Reserve Position 2025/26
Transformational Reserve	3.657	-0.998	2.659
Directorate Carry Forwards	0.186	-0.123	0.063
MTFS Reserve Total	3.843	-1.121	2.722
Better Care Fund	1.278		1.278
Public Health Reserve	1.818	-0.200	1.618
Redundancy/Severance Payments	5.173		5.173
General Reserve	23.465	1.000	24.465
Budget Smoothing Reserve	5.060	-1.373	3.687
Earmarked & General Reserves Total	40.63	-1.694	38.936
Current Q2 Forecast Overspend Effect		-17.540	21.396

* Note that the proposed reserves movements are included within the current forecast but the £1m general reserve contribution is subject to the final outturn position.

- 10.3. CIPFA publish a financial resilience index on key metrics across all English councils. One metric measures the percentage of usable reserves (excluding public health and schools). In 2023/24, the latest available information, council's nearest neighbours held between 20.51% and 87.48% of usable reserves compared to their net revenue expenditure. Whilst this provides comparative data, the council will need to consider its reserve strategy.
- 10.4. As part of the council's recovery and improvement plan, a reserves strategy is being developed that enables reserves to be replenished and set at an appropriate level to manage its financial health and risks.

11. CAPITAL PROGRAMME

- 11.1. The Capital programme is currently working through the MTFS position with an aim to provide a full update of both the 2026/27 and the wider MTFS position to cabinet in February. In line with the overall pressures held by the Council this position will only include essential capital maintenance only & projects deemed invest to save.

12. HOUSING REVENUE ACCOUNT

- 12.1. A separate report to update the HRA Business Plan and 2026/27 Budget report is being developed and will be presented for consideration by Cabinet alongside the 2026/27 Council Budget report in February 2026.

13. TREASURY MANAGEMENT STRATEGY

- 13.1. An updated Treasury Management Strategy is currently being developed and will be presented for approval to Audit and Corporate Governance Committee and Cabinet in February 2026 for approval by the Council as part of the budget setting process.

14. DEDICATED SCHOOLS GRANT (DSG)

- 14.1. At the time of writing, the 2026/27 indicative DSG allocations have not been released. The Schools Funding settlement is expected in December 2025 and more details behind the Budget Allocation for the DSG will be provided in the Full Budget Paper presented to Cabinet in February.
- 14.2. The Schools Block is significantly driven by the National Funding Formula, which includes elements for distribution to individual mainstream schools and academies for pupils in years Reception to Year 11, premises factors and funding for pupil growth.
- 14.3. In recent years, the requirements on local authorities in developing their local formulae with Schools Forums, have become more restrictive. LAs may only use prescribed formula factors, using data provided by the DfE from the previous October's census. Formula values are expected to mirror (ie +/-2.5% of) the national values (reflecting the local area cost adjustment). Where factors are outside these parameters, there is a requirement that the LA amends the unit value, such that it is at least 10% closer to the national value.
- 14.4. For 2025/26, Slough the formula factor that was outside of the +/-2.5% NFF-mirroring zone was mobility.
- 14.5. On 16th October 2025, Schools forum endorsed proposals to consult schools on moving the mobility factor to mirror the NFF in 2026/27 and transferring the maximum 0.5% of Schools Block to the High Needs Block and Central School

Services Block. The report contained an indicative timetable for the 2026/27 DSG budget setting process, as set out below:

Date	Responsibility	Process
2 October 2025	Schools	Number on Roll (NOR) Census date.
16 October 2025	Schools Forum	Consider issues and process
29 October 2025	Schools	Final date for schools to return census.
Late Oct 2025 (tbc)	Education Finance	Send out consultation DSG Block funding transfers and mobility factor treatment. Consultation to run for 4 weeks.
Autumn term 2025 (tbc)	DfE	Outline NFF values and illustrations made available to LAs.
17 November 2025	Education Finance	Deadline for submitting a disapplication to DfE
27 November 2025	Schools Forum	Report on schools consultation outcome for DSG block funding transfers and mobility.
Mid-December 2025	DfE	Authority Pro-Forma Tool (APT) is sent to LA's updated with October NOR census data. Education Finance undertakes modelling of funding for individual mainstream schools and academies.
15 January 2026	Schools Forum	SBC proposes mainstream schools and academies funding and early years funding for 2026-27 to Schools Forum.
late January 2026 (tbc)	Cabinet	Proposed Political approval required for final 2026-27 schools funding formula and early years funding formula.
Late January 2026 (tbc)	Education Finance	Deadline for submission of final 2026-27 APT to the DfE
Late February 2026 (tbc)	Budget Council	Formal Political approval required for final 2026-27 schools funding formula and early years funding formula.
28 February 2026 (tbc)	Education Finance	Confirmation of budget shares sent to mainstream maintained schools for 2026-27.
11 March 2026	Education Finance	Schools Forum receive feedback on the final budget position for 2026-27.

14.6. On 27th November 2025, following said consultation, Schools Forum agreed the following recommendations:

- To adjust the mobility factor in the mainstream formula for 2026/27 such that the Slough formula mirrors the National Funding Formula.
- Continuing to transfer 0.5% of the Schools Block to the High Needs Block and Central School Services Block for 2026-27

14.7. The DSG process will continue on the basis of this agreement once allocations have been provided. Continued work will be necessary to mitigate, where possible, the projected deficit on the DSG High Needs Block which is forecast to increase to a cumulative £34m by the end of 2026/27 as set out to Cabinet in the November Financial Update report.

15. NEXT STEPS

- 15.1. **Timeline** - The **next** steps for the budget 2026/27 and MTFS 2026/27 – 2029/30 are as follows:

Date	Item/Information
09/12/2025	CISC - Draft Budget
15/12/2025	Cabinet - Draft Budget
15/12/2025	Draft Local Government Settlement
Dec 2025	Update Citizen Space - Link to the Cabinet papers with clarity that the options contained within this report have been brought forward early so we can engage on them. There will be an opportunity to comment on these later and other proposals in due course.
Dec 2025	Engagement - Webpage to be created to provide explanation of key issues.
Jan 2026	Budget consultation with businesses.
19/01/2026	Cabinet – Council Tax Support Scheme 2026/27 (Recommendation for Council)
27/01/2026	Full Council - Council Tax Support Scheme 2026/27 (Approval)
Feb 2026	Full Local Government Finance Settlement
10/02/2026	CISC - General Fund Revenue Budget 2026/27 and Medium-Term Financial Strategy 2026/27 to 2029/30
Before 16 Feb 2026	Talkabout bitesize - Session for staff ahead of the budget being set.
17/02/2026	Cabinet - General Fund Revenue Budget 2026/27 and Medium-Term Financial Strategy 2026/27 to 2029/30 (Recommend approval to Full Council)
27/02/2026	Full Council - General Fund Revenue Budget 2026/27 and Medium-Term Financial Strategy 2026/27 to 2029/30 (Approval)

- 15.2. As part of the process to achieve a balanced budget in February we will be continuing an extensive scrutiny process for the pressures and savings that are in the draft budget presented as well as asking Directorates to consider additional savings targets.

16. IMPLICATIONS OF THE RECOMMENDATIONS

16.1. **Financial implications**

16.2. This is a financial report with implications set out throughout.

16.3. **Legal implications**

16.4. Section 31A of the Local Government Finance Act 1992 requires billing authorities to calculate their Council Tax requirements in accordance with the prescribed requirements of that section. The function of setting the Council Tax is the responsibility of Full Council. This requires consideration of the Council's estimated revenue expenditure for the year in order to perform its functions, allowances for contingencies in accordance with proper practices, financial reserves and amounts required to be transferred from general fund to collection fund. The Council is required to make estimates of gross revenue expenditure and anticipated income, leading to a calculation of council tax requirement for 2026/27 and the setting of an overall budget to ensure proper discharge of the Council's statutory duties and to lead to a balanced budget. Whilst it is the Council's responsibility to determine the council tax requirement, s.52ZB of the Local Government Finance Act 1992 requires each billing authority to determine whether its relevant basic amount of council tax for the following financial year is excessive. This decision must be made in accordance with a set of principles determined by the Secretary of State.

16.5. Full Council is responsible for setting the overall budget framework. However, some of the proposed savings may be subject to further analysis and decision making and as such the savings are an estimate. Individual service decisions will be subject to officer or Cabinet approval, taking account of the statutory framework, any requirement to consult and consideration of overarching duties, such as the public sector equality duty. Some savings proposals have already been through or will have been through a decision-making process prior to inclusion in the budget. Details of the status of any savings proposal and whether it is subject to a future decision will be included in the report in February. As decisions on some proposals may not have been made by the time the budget is presented, it is proposed to hold a risk reserve to manage the risks that some savings are not capable of full deliverability in 2026/27 and the risk of growth pressures.

16.6. On 1 December 2021 the Secretary of State for Levelling Up, Housing and Communities made a statutory direction requiring the Council to take prescribed actions and that certain functions be exercised from this date by appointed Commissioners, acting jointly or severally. A new direction was made on 20 November 2024. The functions to be exercised by the Commissioners include the requirement from section 151 of the Local Government Act 1972 to make arrangements for the proper administration of the Council's financial affairs, and all functions associated with the strategic

financial management of the Council, including providing advice and challenge to the Council in the setting of annual budgets and a robust MTFS, limiting future borrowing and capital spending. The Explanatory Memorandum to this Direction confirms that in practice most decisions are expected to be taken by the Council, however the Directions are designed to give the Commissioners the power to tackle weaknesses identified to ensure the Council is better equipped to meet the best value requirements. Cabinet must take account of the advice and comments of the Commissioners as set out in this report.

- 16.7. The direction also requires the Council to take prescribed actions. These include preparing, agreeing and implementing an improvement and recovery plan to the satisfaction of the commissioners, with resource allocated accordingly. The plan must include as a minimum, amongst other matters, a refreshed rolling MTFS, Capital Strategy, Treasury Management Strategy, aligned with the new target operating model and transformation plan and demonstrating the Council's financial sustainability and resilience, over the period of the strategies.
- 16.8. Under s.25 of the Local Government Act 2003, the chief finance officer must report to members on the robustness of estimates made for the purposes of the budget calculations and the adequacy of the proposed financial reserves. Both Cabinet and Full Council must have regard to this report when making recommendations and decisions about the calculations. Under the Local Government and Finance Act 1988, the Council's Chief Finance Officer (s.151 officer) has duties to report to Council in prescribed circumstances. This includes if it appears to him that the expenditure of the Council incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources (including borrowed) available to it to meet that expenditure. When making such an assessment, exceptional financial support from MHCLG can be taken into account. This permits capital or borrowing to be used to fund a proportion of revenue costs in accordance with the capitalisation direction.
- 16.9. **Risk management implications**
- 16.10. As part of approving the budget in February 2026, the Chief Finance Officer under Section 25 of the Local Government Act 2003 will report on the robustness of estimates and adequacy of reserves. This includes an assessment of financial risks. This report provides an initial view of financial risks which will continue to evolve as part of the budget setting process and can be seen in the next table.
- 16.11. **Environmental implications**

16.12. There are no specific environmental implications arising from this report.

16.13. Equality implications

16.14. A full equality impact assessment will be undertaken during the budget setting process.

16.15. Procurement implications

16.16. Any changes that result in changes to supplies and services contracts are subject to the Procurement Regulations and Council's procurement rules.

16.17. Workforce implications

16.18. There are key steps during the democratic year leading towards Budget Council. Communications and engagement are vital tools to ensure staff fully informed and able to comment on the proposals before Budget Council.

16.19. Working with Internal Comms we will ensure our staff remain informed of key updates via all staff calls led by the Head of Paid Service and S151 and our staff newsletter.

16.20. We have recognised that as part of our ambition to deliver financial savings, there is likely to impact the shape and size of our workforce. To this end, we have recognised that we will be required to support our Officers to lead and manage their teams through change in addition to investing in Workforce development to ensure we retain a workforce with the right skills to deliver for our residents.

16.21. Property implications

16.22. The Council is continuing its asset disposal programme as part of its recovery programme. In September 2025 a report updating cabinet on the Property Capital programme was submitted. In addition, updates are provided as part of the quarterly reporting process & will be included within the wider Treasury Management Strategy referenced in section 13. The budget proposals include the revenue savings associated with the disposal of operational assets and the relocation or changes in service provision.

17. Background documents

None

Appendix 1 – Draft Budget Proposals 2026/27

Please see attached document “Budget Proposals Listing” for further information on both proposed savings as well as the budget growth/risks. All proposals included within are going through additional scrutiny and may be amended/excluded by the time the full budget in February is presented.